

Stocks cool as inflation warms.



The economy

- U.S. stocks bounced around significantly before finishing with mixed performance during the week ending March 15. The market experienced a mid- to late-week swoon spurred by declines in the share prices of several chipmakers, as well as relatively disappointing news about wholesale inflation. These factors partially offset investors' positive reaction to the most recent consumer-price index (CPI) data, released earlier in the week. The broad-market S&P 500 Index and the tech-heavy Nasdaq Composite Index posted modest gains, while the Dow Jones Industrials Average was flat for the week.
- According to the U.S. Department of Labor, the CPI advanced 0.4% in February following a 0.3% upturn in January. The 3.2% year-over-year advance in the index modestly exceeded market expectations, and was up slightly from the 3.1% annual increase in January. Housing and gasoline prices accounted for approximately 60% of the month-over-month rise in the CPI. Costs for utility gas services were up 2.3% month-over-month in February, but fell 8.8% over the previous year. Food prices were flat in February and rose 2.2% year-over-year, down from the 2.6% annual upturn in January. The 3.8% rolling 12-month rise in core inflation, as measured by the CPI for all items less food and energy, was down 0.1 percentage point from the year-over-year increase in January, and represented the smallest annual increase since April 2021.
- Regarding inflation at the wholesale level, the Department of Labor reported that the producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and services, rose 0.6% in February—double the market's consensus expectation of 0.3%—following a 0.1% uptick in January. The index advanced 1.6% over the previous 12-month period, up sharply from the 0.9% annual increase in January. Core wholesale inflation, as measured by the PPI less food, energy, and trade services, was up 0.4% and 2.8% in February and year-over-year, respectively. The annual increase was modestly higher than the 2.6% upturn in the index in January.
- The wholesale inflation data led to concerns that the Federal Reserve (Fed) may take a more cautious approach in pivoting to interest-rate cuts. At the end of this week, CME's FedWatch Tool, which provides a gauge of the markets' expectations of potential changes to the federal-funds target rate while assessing potential Fed monetary policy actions at Federal Open Market Committee (FOMC) meetings, implied a 99% chance that the FOMC will leave the federal-funds rate unchanged following its meeting next Tuesday and Wednesday, March 19-20. The FedWatch Tool also projected that the Fed will leave the federal-funds rate unchanged at its meeting on April 30-May 1, and a 55% probability of a 25-basis-point (0.25%) reduction following its meeting on June 11-12.
- According to the Census Bureau, retail and food services sales—a gauge of consumer spending, which comprises more than two-thirds of U.S. gross domestic product (GDP)—increased 0.6% in February, and rose 0.8% over the previous 12-month period. Core sales, which exclude motor vehicles and parts, and gasoline stations, were up 0.3% and 2.2% in February and year-over-year, respectively. Nonstore retailers, along with food and drinking places, posted the most notable year-over-year sales gains in February. In contrast, furniture and home furnishing stores, and building material and garden equipment and supplies dealers, recorded the largest declines in sales over the previous 12-month period.
- There was some positive news during the week concerning the U.S. housing market. The Mortgage Bankers Association (MBA) reported that mortgage applications in the U.S. climbed 7.1% during the week ending March 8, compared to the previous seven-day period. The MBA's Refinance Index advanced 12.0% week-over-week and 5.0% over the previous 12-month period. The Purchase Index rose 5.0% for the week, but fell 11.0% year-over-year. According to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage declined 14 basis points (0.141%) to 6.74% during the week ending March 14, remaining below the 23-year high of 7.79% recorded during the week ending October 26, 2023, but well above the low of 2.65% reached in early January 2021.

Stocks

- Global equities recorded modest gains during the week. Emerging markets outperformed developed markets.
- U.S. equities ended mixed for the week. Energy and materials were the top-performing sectors, while real estate and consumer discretionary lagged. Value stocks led growth, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield increased to 4.31% during the week.
- Global bond markets lost ground for the week.
- High-yield bonds led the markets, followed by corporate bonds and government bonds.

The Numbers as of March 15, 2024	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	0.2%	6.3%	24.7%	772.7
MSCI EAFE (\$)	-1.0%	4.4%	17.4%	2334.2
MSCI Emerging Mkts (\$)	1.1%	2.4%	11.4%	1048.7
US & Canadian Equities				
Dow Jones Industrials (\$)	0.0%	2.7%	20.1%	38714.8
S&P 500 (\$)	-0.1%	7.3%	29.2%	5117.1
NASDAQ (\$)	-0.7%	6.4%	36.3%	15973.2
S&P/ TSX Composite (C\$)	0.5%	4.2%	11.8%	21849.2
UK & European Equities				
FTSE All-Share (£)	0.7%	-0.2%	4.2%	4222.1
MSCI Europe ex UK (€)	0.7%	7.8%	16.3%	1816.1
Asian Equities				
Topix (¥)	-2.1%	12.9%	37.9%	2670.8
Hong Kong Hang Seng (\$)	2.2%	-1.9%	-12.9%	16720.9
MSCI Asia Pac. Ex-Japan (\$)	0.7%	2.3%	8.4%	540.9
Latin American Equities				
MSCI EMF Latin America (\$)	1.1%	-5.5%	19.7%	2516.6
Mexican Bolsa (peso)	2.2%	-2.2%	6.9%	56131.7
Brazilian Bovespa (real)	-0.4%	-5.7%	22.4%	126602.0
Commodities (\$)				
West Texas Intermediate Spot	4.2%	13.4%	18.9%	81.3
Gold Spot Price	-1.3%	4.4%	12.6%	2156.8
Global Bond Indices (\$)				
Bloomberg Global Aggregate (\$)	-1.1%	-2.2%	1.5%	461.0
JPMorgan Emerging Mkt Bond	-0.5%	0.1%	9.5%	849.7
10-Year Yield Change (basis points*)				
US Treasury	23	43	72	4.31%
UK Gilt	13	57	68	4.10%
German Bund	18	42	16	2.44%
Japan Govt Bond	5	17	47	0.79%
Canada Govt Bond	22	44	63	3.55%
Currency Returns**				
US\$ per euro	-0.5%	-1.4%	2.6%	1.089
Yen per US\$	1.4%	5.7%	11.5%	149.08
US\$ per £	-0.9%	0.0%	5.2%	1.274
C\$ per US\$	0.4%	2.3%	-1.3%	1.354

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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